

Feds' plan called 'climb-down' in carbon tax showdown; Ottawa makes changes to soften impact on heavy industries as battle with Ontario looms

The Toronto Star

August 2, 2018 Thursday

Copyright 2018 Toronto Star Newspapers Limited

Section: NEWS; Pg. A1

Length: 939 words

Byline: Alex Ballingall Toronto Star

Dateline: OTTAWA

Body

The Trudeau government is scaling back its carbon tax plan over concerns about competitiveness, a move being hailed by Ontario's environment minister as a welcome "climb-down" and decried by environmentalists as putting short-term economic interests ahead of the health of the planet.

Under the new plan, which Environment and Climate Change Canada quietly published online last Friday, Ottawa will deliver higher rebates to heavy emitters as part of a strategy to keep them competitive and to discourage them from relocating to places where regulations are less expensive.

Starting Jan. 1, 2019, Ottawa will tax companies \$20 for every tonne of greenhouse gas they emit, a levy that will ramp up to \$50 per tonne in 2022.

Earlier this year, the federal government introduced special "output-based standards" to offset the cost of the carbon tax for heavy emitters that face tough foreign competition. Companies in these sectors were set to receive emissions credits - or rebates - worth 70 per cent of what an average firm in their industry was expected to pay in carbon tax. That means they would avoid paying the tax on this portion of their emissions.

The government now plans to beef up those rebates, a move that will lessen the carbon tax load even further for these heavy emitters.

After months of consultation, "high competitive risk" industries - iron and steel manufacturers, and cement, lime and nitrogen fertilizer producers - will now get rebates worth 90 per cent of their industry average. Firms in all other industries where facilities emit at least 50 kilotonnes of greenhouse gas per year will get rebates worth 80 per cent.

At Queen's Park, Progressive Conservative Environment Minister Rod Phillips said the change shows his government was right to oppose Ottawa's plan to reduce emissions that cause climate change. With Premier Doug Ford moving to scrap the cap-and-trade carbon pricing regime implemented by his Liberal predecessors, Ontario is now among the provinces where the federal government's carbon tax will be imposed when the policy comes into effect on Jan. 1 - setting up a direct showdown between Ottawa and the country's biggest province.

The Ontario government has also said it plans to join Saskatchewan in challenging Ottawa's authority to impose the carbon tax on the provinces.

"The fact of this climb-down by the federal government is a signal that we have been right all along," Phillips said.

Feds' plan called 'climb-down' in carbon tax showdown; Ottawa makes changes to soften impact on heavy industries as battle with Ontario looms

"If the federal government continues to pursue a carbon tax to punish Ontario families and make Ontario businesses uncompetitive, we will oppose it ... We did not fight a campaign to eliminate cap-and-trade just to have a job-killing carbon tax imposed."

Federal Environment Minister Catherine McKenna said in a statement Wednesday that the government was upfront that it would consult industry and environmental experts about its proposed carbon-price plans. While avoiding questions about why the rebate increase was necessary, McKenna attacked the Conservatives for their job creation record under former prime minister Stephen Harper, and accused the opposition party of having "no plan" to reduce greenhouse gas emissions.

"Our government has an ambitious plan to protect the environment for our kids and grow the economy - and it's working," McKenna said. "Unlike the Conservatives, we believe that big polluters should pay."

Catherine Abreu, executive director of Climate Action Network Canada, said Ottawa's policy change is "another example" of the Liberal government watering down its plans to tackle climate change after consulting with industry players. Previous instances include the delayed rollout of methane regulations, as well as implementation of clean fuel standards that some argue is too slow.

The David Suzuki Foundation sounded a similar note in a statement Wednesday, arguing the change will undermine the incentive for businesses to reduce emissions under the carbon tax and will put global action on climate change at risk.

"All of this is in response to industry pushback," Abreu said. "There's no question that it will make it more difficult to reach (Canada's emissions) targets."

Prime Minister Justin Trudeau's government has pledged to cut Canada's greenhouse gas emissions to 30 per cent below their 2005 level by 2030 - a commitment that is part of the international Paris agreement to prevent the most disastrous impacts of climate change. As part of the effort to attain that goal, the Liberals are set to impose a carbon tax in provinces and territories without their own pricing system, or whose existing regimes fall short of the federal standard.

Trevor Tombe, an associate professor of economics at the University of Calgary, said the changes revealed Wednesday essentially mean the government is increasing "subsidies" to large emitters hit by its carbon tax, while also preserving the intended incentive for businesses to curb their emissions.

The credits each firm will receive are based on the cost of emissions for an average unit of production in their industry, such as a barrel of oil or a block of cement, he said. So, for example, if the carbon tax on an average block of cement in Canada is \$20, firms in that industry will receive credits worth \$18 - 90 per cent - for each block they make, Tombe said.

Firms that can make a block of cement while emitting less than their competitors will still get \$18 worth of credits per block they produce, he said, and they can sell those extra credits to other businesses that pump out more greenhouse gases. Ultimately, that means some firms will pay more carbon tax than others, Tombe said.

With files from Robert Benzie

Classification

Language: ENGLISH

Document-Type: COLUMN

Feds' plan called 'climb-down' in carbon tax showdown; Ottawa makes changes to soften impact on heavy industries as battle with Ontario looms

Publication-Type: NEWSPAPER

Subject: CARBON TAX (94%); ENVIRONMENT & NATURAL RESOURCES (92%); EMISSIONS (90%); ENVIRONMENTAL DEPARTMENTS (90%); ENVIRONMENTAL LAW (90%); TAXES & TAXATION (90%); AIR QUALITY REGULATION (89%); CLIMATE CHANGE (89%); EMISSIONS CREDITS (89%); GOVERNMENT & PUBLIC ADMINISTRATION (89%); GOVERNMENT ADVISORS & MINISTERS (89%); CLIMATE ACTION (78%); COMPANY ACTIVITIES & MANAGEMENT (78%); ENVIRONMENTALISM (78%); POLLUTION MONITORING, PREVENTION & REMEDIATION (78%); RELOCATIONS (78%); TAX AVOIDANCE (78%); PRICES (77%); GREENHOUSE GASES (76%)

Industry: CARBON TAX (94%); EMISSIONS (90%); EMISSIONS CREDITS (89%); MANUFACTURING (76%); FERTILIZER MFG (68%); IRON & STEEL MILLS (68%); FERTILIZERS (50%)

Geographic: OTTAWA, ON, CANADA (90%); ONTARIO, CANADA (91%); SASKATCHEWAN, CANADA (79%); CANADA (79%)

Load-Date: August 2, 2018

End of Document